

Exhibit R

Message

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Sent: 12/20/2017 6:02:00 PM
To: William.Shank@pharma.com; David.Rosen@pharma.com
CC: Anna Draganova [/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlT)/cn=recipients/cn=5af5aa9cb15b47138add6a8cbb319281-anna dragan]; Laura Moran [cn=laura moran/ou=nje/ou=northamerica/o=mckinsey]; Arnab Ghatak [cn=arnab ghatak/ou=nje/ou=northamerica/o=mckinsey]; Alice Zheng [cn=alice zheng/ou=svo/ou=northamerica/o=mckinsey]; Emma Kemble [cn=emma kemble/ou=nje/ou=northamerica/o=mckinsey]
Subject: Document synthesis
Attachments: 2017 12_Synthesis of documents_vf.pptx; 20171219 Value story 3.0 vDraft_Condensed.pptx; 20171219 Value story 3.0 vDraft_Full.pptx; 2017 12_Innovative Contracting Synthesis_vf.pptx; 20171214_Task Force_vf.pptx; 2017 12_Ad hoc support synthesis_vf.pptx

Hi Bill and David,

Thank you for making the time to catch-up yesterday. Attached please find a synthesis of the documents from our work together.

Attached you'll find:

+ **Synthesis of documents:** This is document we reviewed yesterday that includes an overview of the documents attached

+ **Payor value prop 3.0:** Attached is the short and the long version of the draft payor value story. [Long version as was submitted to MRL. We included stickies where Helmut had a few additional points of feedback yesterday that can be considered in context of MRL feedback in January]

+ **Innovative Contracting synthesis:** Compendium of innovative contracting documents

+ **Task Force synthesis:** Latest project management documents from Thursday task force meetings

+ **Ad hoc support synthesis:** Compilation of documents to support ad hoc requests

As always, please reach out with questions.

Happy holidays,
Christen

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High impact interventions to rapidly address market access challenges

Innovative Contracts
DRAFT

December 2017

Privileged: This presentation contains draft proposals for discussion by Management and are subject to appropriate Purdue legal and regulatory review before they can be considered final. These materials are confidential and proprietary.



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Contents

- Overall innovative contracting landscape in the U.S.
- Overall comparison of innovative contracting options
- Details on MME contract baselining
- Details on Event-Based contract baselining
- Details on Per Member Per Month contract baselining



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Innovative contracting: early insights

1

What type of contracts are used today, how often and when?

- While innovative contracts are becoming more visible in the U.S., the overall numbers remain low. That being said, **most innovative contracts today are not made public**.
- In the past, value contracts were concentrated in a few therapeutic areas – Oncology, hematology, CV, RA. Recently, they are becoming a **common lever for newly launched drugs and in specialty, high-value brands**

2

How are other pharmacos approaching this?

- Two broad types of contracts – **predictability and outcomes-based** – are most common, though there is a wide spectrum of experimentation.
- Leading players have a small, easy to communicate **“menu of innovative offerings”** (usually 2-3 options with clear terms that can be communicated in a page each)

3

How are payors/PBMs thinking about them?

- Payors/ PBMS think about this arrangement in terms of **type of risk** (e.g., budgetary, off-label use, dosage, etc)
- **Not all payors/PBMs have same appetite**. Cigna and Harvard Pilgrim have been most public about use; of the PBMs, CVS most open; CMS increasingly interested to pursue
- **Barriers** for execution are still high – too complex, infrastructure not solid, hard to track

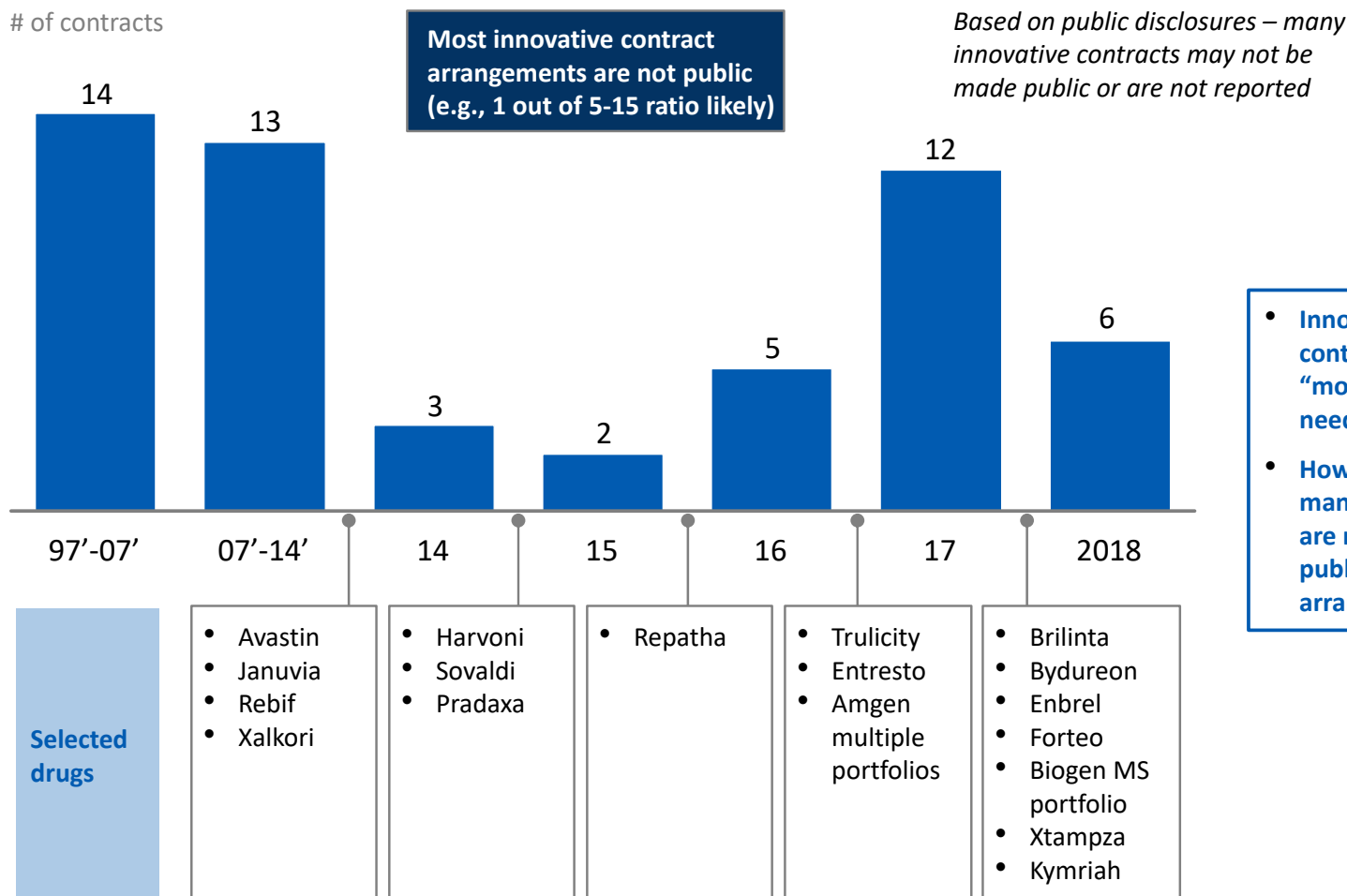
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What makes sense for Purdue?

- We see **3 main objectives for Purdue** in completing an innovative contract: (1) maintain formulary position/ avoid exclusion, (2) align incentives with payors to address the opioid crisis, and (3) demonstrate publicly its strong commitment
- As we consider what type of innovative contract may make sense, it's also important to consider which type of account would make a good partner for this type of contract

1 Overall numbers of innovative contracts in the U.S. remain low but most are not made public

We reviewed 200 publicly available contracts globally since 1994, and found 55 in the U.S.



Source: McKinsey Innovative Contracting Database



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1 Recently, innovative contracts are a common lever for new launches and “high-budget” brands

Historically, innovative contracts have been concentrated in a few therapeutic areas

of public contracts executed since 1994 globally¹

Oncology & hematology	94
Cardiovascular	20
Rheumatology & arthritis	19
Endocrinology & metabolics	14
CNS & neurology	13
Infectious diseases	9
Ophthalmology	7
Other	6
Respiratory & pulmonary	6
Orthopedics	5
Behavioral Health	2
Gastrointestinal	2
Allergy & immunology	1
Autoimmune	1
Cancer	1
Dermatology	1
Radiology	1
Renal	1

Recently, they are becoming a common lever for newly launched drugs and in specialty, high-value brands²

	Partners	Product	Contract type	TA	Size of TA (PMPY) ²
2015	GILEAD Cigna	HARVONI [®] ledipasvir / sofosbuvir	Based on sustained virologic response	Hepatitis C	\$25
2016	NOVARTIS Cigna Aetna	Entresto [®] (sacubitril/valsartan) tablets	Based on specific goals to reduce hospitalizations	Heart disease	\$35
2017	AMGEN Harvard Pilgrim HealthCare	Enbrel [®] etanercept	Based on patient compliance, switching / adding drugs, dose escalation, etc.	Inflammatory conditions	\$120
2017	AMGEN Harvard Pilgrim HealthCare	Repatha [®] (evolocumab)	Based on whether Rx expenditure passes a threshold	Heart disease	\$35
2017	NOVARTIS CMS	KYMRIAH [®] (tisagenlecleucel)	Based on pediatric / young adult ALL patients response to Kymriah	Oncology	\$60

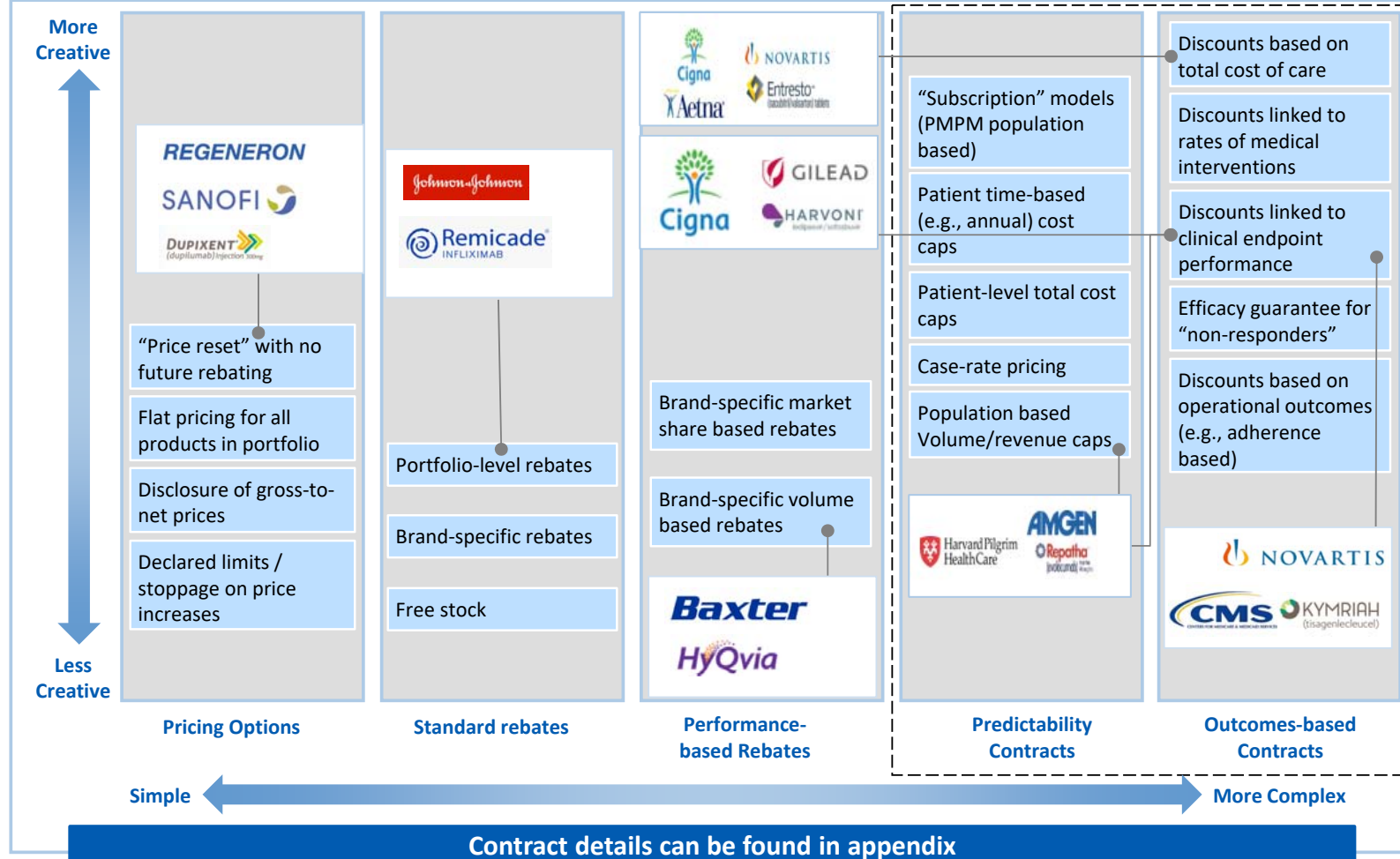
¹ McKinsey analyzed over 200 publicly available contracts

SOURCE: 2016 ESI Drug Trend Report; Pain/inflammation spend is \$52 PMPY

2 Predictability and outcomes-based contracts most commonly used for an innovative arrangement

☐ Likely highest priority for Purdue







Spectrum of contracting/ pricing options used in the industry today – not exhaustive set of examples



Source: McKinsey analyzed over 200 publicly available contracts

2 Leading players have a small, easy to communicate “menu of innovative offerings”

Companies most outspoken/ public about use of innovative contracts

Company	Brands in contract ¹	Count of contract since '94
 NOVARTIS	Entresto, Gilenya Kisqali, Kymriah	7
 AMGEN	Enbrel, Repatha	6
 SANOFI	Actonel, Eloxatin, Praluent	5
 MERCK	Januvia, Janumet, Zocor	5
 Pfizer	Xalkori	5
 AstraZeneca	Brilinta, Bydureon	3

¹ Non-exhaustive

Blinded example of “tear sheets”

Per member per month (PMPM) Guarantee	Event-based rebate	Core metric success rebate
Extra rebate when PMPM exceeds pre-agreed levels	Extra rebate on all units used by patients with occurring event ¹	Staged rebate levels based on patient reaching certain levels of a core metric
Level 1: 5% rebate	Level 1: 6% rebate	5% rebate when metric <20%
Level 2: 7% rebate	Level 2: 8% rebate	6% rebate when metric ≥18%
¹ Disclaimers: Need to be on drug for at least 6 months, no pause, event is defined as X		

SOURCE: Source: McKinsey Contracting Database










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3 PBM/Payors think about this arrangements in terms of risk

Least applicable
Most applicable

Risks		Applicability to opioids
Budgetary risk	Adoption of a new drug may surpass the payor's expectations and result in a budget shortfall	
Outcome risk	The drug may be ineffective in certain patients	
Dosage risk	Some patients may require higher-than-expected doses to benefit from the drug, or they may need escalating doses if resistance to the drug develops	
Over-utilization risk	The drug may be prescribed in inappropriately high doses or for subgroups of patients who are unlikely to benefit from it	
Off-label risk	The drug may be prescribed for indications or situations (e.g. tooth removal) that are not appropriate	
Adherence risk	The drug's efficacy may be lowered if patients do not comply with their prescribed treatment or do not continue to adhere to that treatment over time	
Safety risk	In some patients, the drug may produce moderate or severe complications that require additional treatment and thus increase the payor's costs	

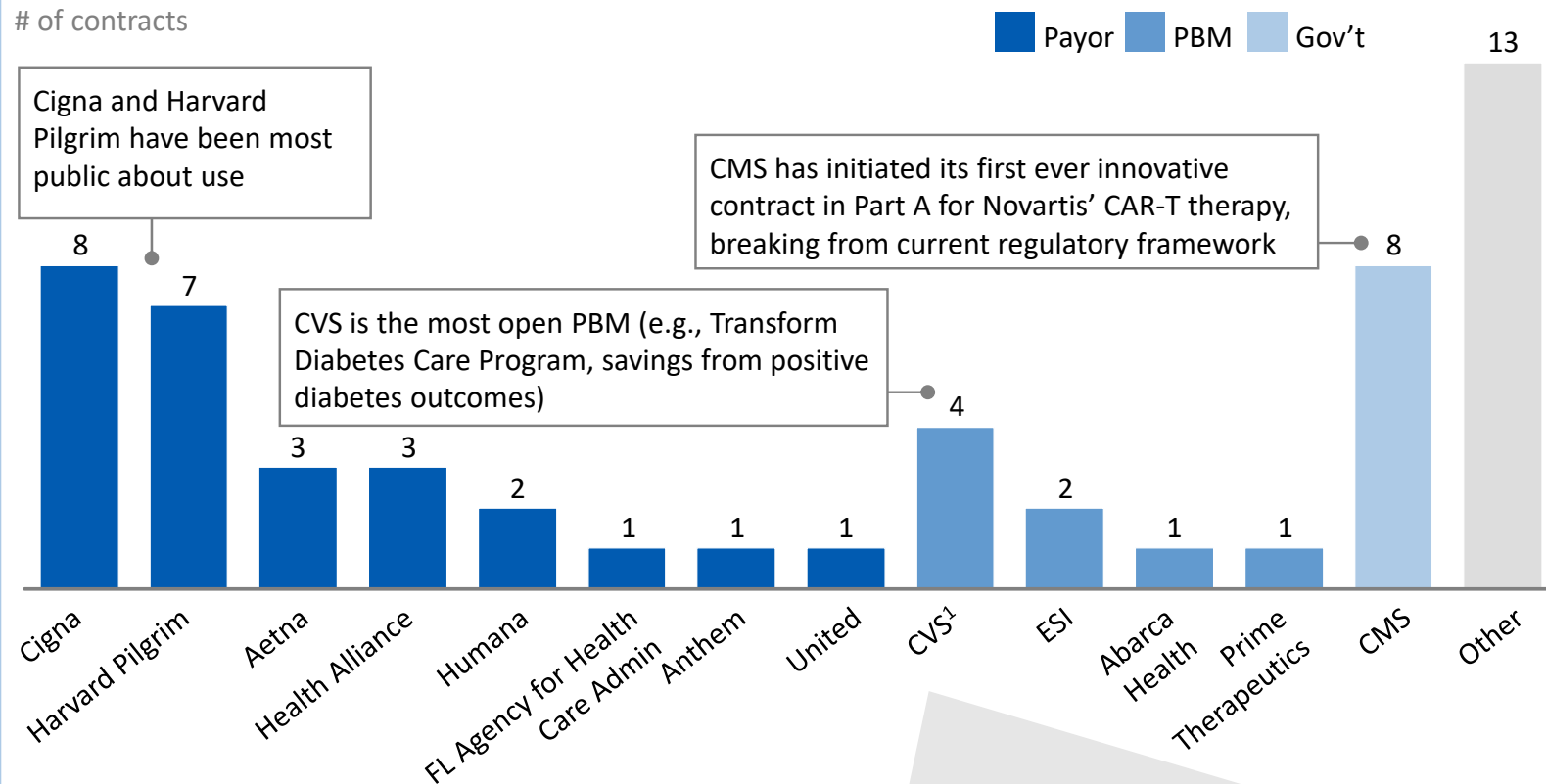


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3 Not all payors have the same appetite for innovative contracts

Published value-based contracts in the U.S. since 1994



"We are exploring new ways to share risk with pharmaceutical manufacturers to ensure that our clients are getting the most possible value from their drug spend by more closely linking the net cost of drugs to the outcomes that those drugs deliver" – CVS Health, Mar 2017

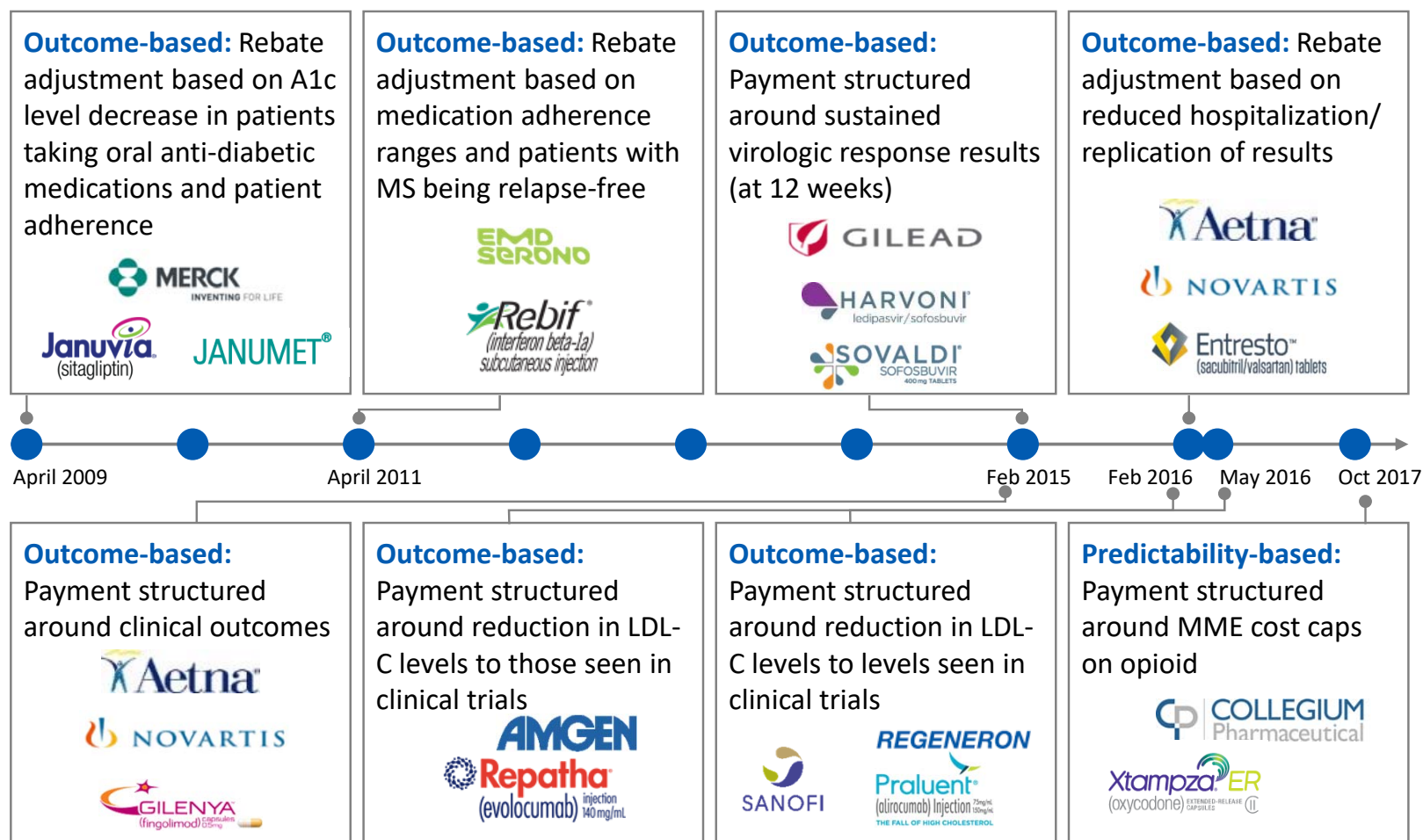
Source: McKinsey Innovative Contracting Database



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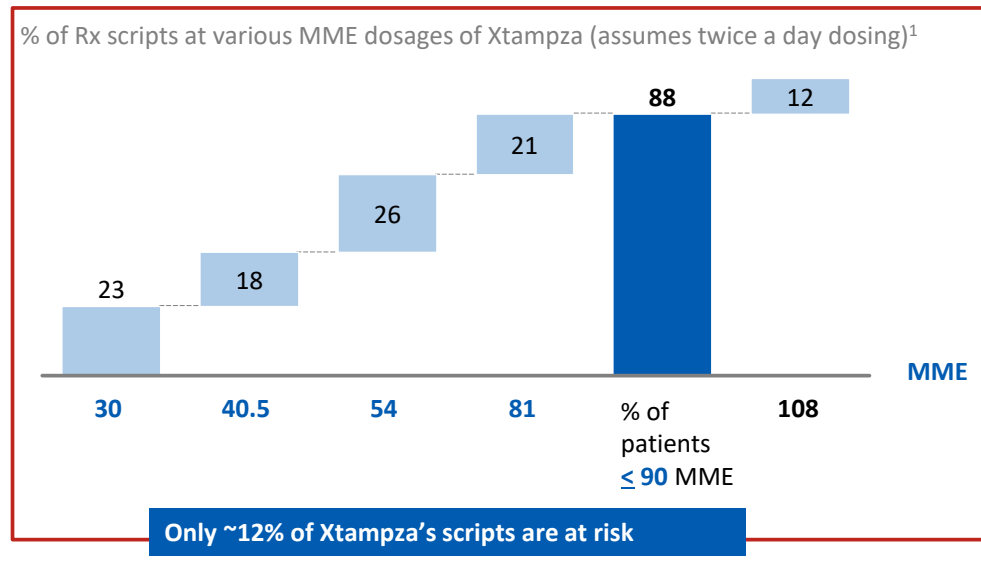
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3 Cigna has historically generally preferred outcomes-based contracts



3 Example: Cigna's contract with Collegium - Predictability contract structured around MME dosing caps, carrying low risk

Contract type	<ul style="list-style-type: none"> Predictability
Structure	<ul style="list-style-type: none"> MME dosing cap (potentially 90 MME)¹ <ul style="list-style-type: none"> Collegium will reduce cost if average daily dose exceeds a threshold
Objective	<ul style="list-style-type: none"> Addresses opioid abuse? – Yes
Additional components	<ul style="list-style-type: none"> Cigna builds opioid prescribing profiles of physicians and ACOs and sends that information to doctors so they can see how they compare with their peers, enabling increased transparency and incentives for dosage reduction



- Feasibility is high** due to
 - Ease of identifying patients: All Xtampza ER patients are in scope
 - Ease of tracking data: Data is tracked through claims, and these capabilities already exist
 - Data trustworthiness: Both Collegium and Cigna believe in accuracy of claims data
- Incentives are aligned**
 - This contract aligns incentives related to dose reduction and the resulting incidence-of-addiction reduction
- Value was exchanged, and realized by payor**
 - Since Purdue offered Cigna a 30% rebate, we can assume Collegium offered more
 - Contract creates financial incentives for the drug maker to encourage doctors to prescribe doses lower than 90MME

"Do I think this is going to have a significant impact on overdose deaths? No, I don't see how this step would do that"

– VP of community relations at Novus Medical Detox Center

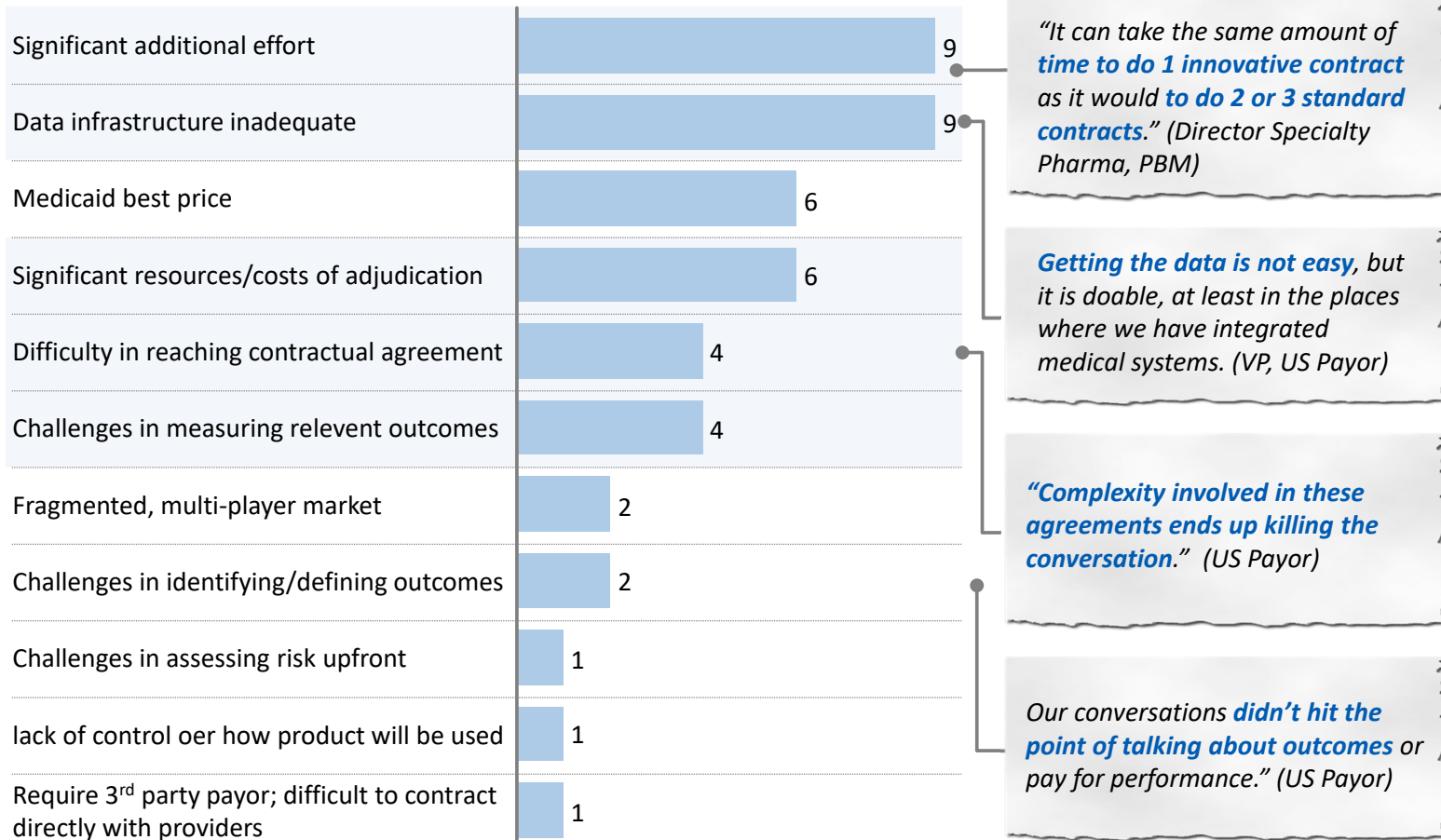
¹ According to Purdue word-of-mouth Source: IMS data

3 Barriers for execution remain high in the eyes of payors/ PBMS

Detail on next page

Top barriers cited in the use of risk-sharing agreements in the US

Participant responses, n=15



Source: Payor, PBM interviews, Garrison, Louis P., Jr. "Private Sector Risk-Sharing Agreements in the United States: Trends, Barriers, and Prospects." American Journal of Managed Care (2015)



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4 We see three main objectives for Purdue in completing an innovative contract

■ Proposed Purdue objective

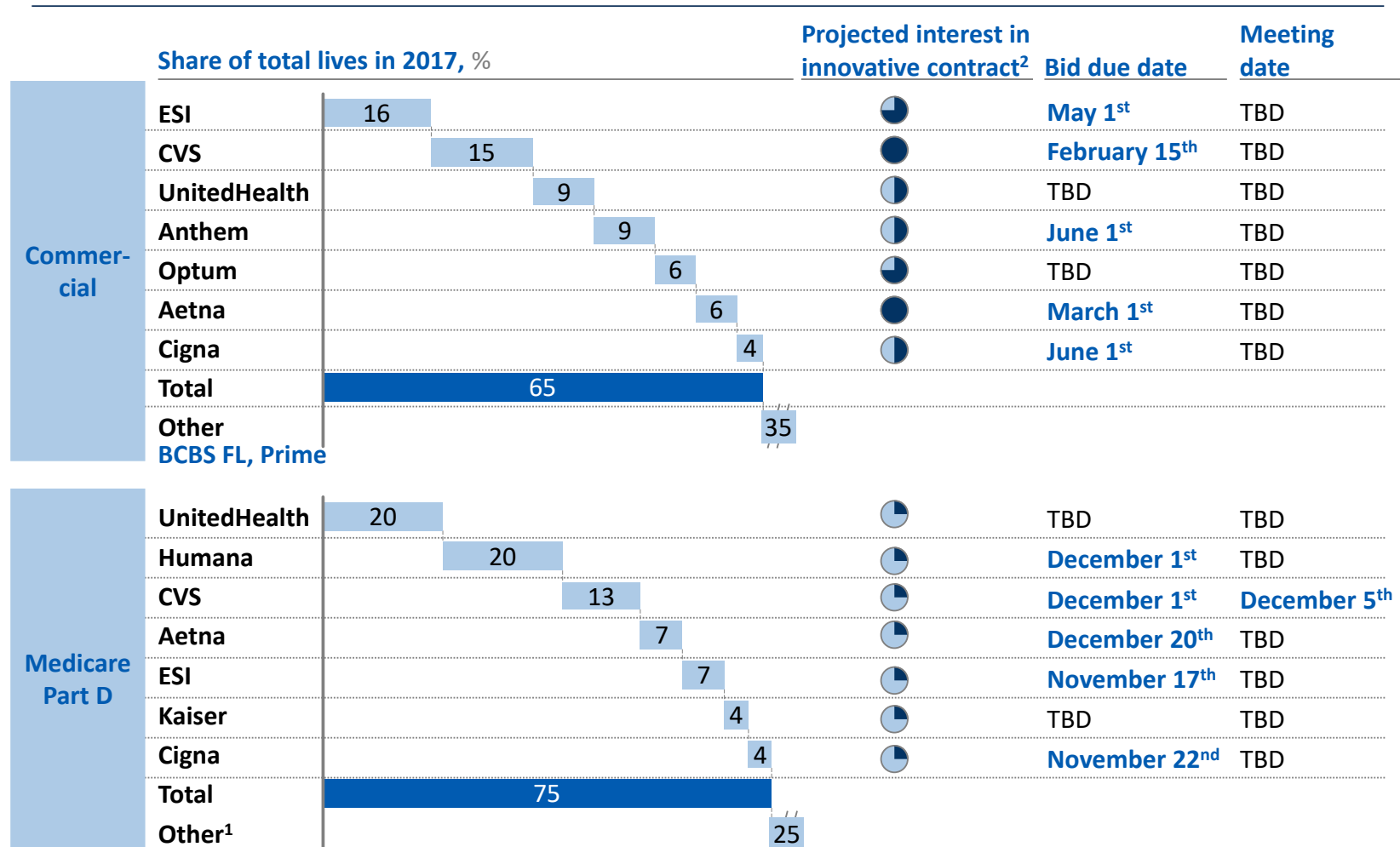
	Usual pharmaco objectives	Opportunity	
“Hard benefits” (easier to quantify)	Resolve differences in perceived value	<ul style="list-style-type: none"> Improve reimbursement of product when highly confident of outcomes 	
	Realize premium for predictability	<ul style="list-style-type: none"> Tailor reimbursement to give partner confidence in payment risk 	
	Create competitive advantage/stickiness	<ul style="list-style-type: none"> Develop stickiness with payors to maintain formulary position next year, and future years 	
	Maintain price discipline	<ul style="list-style-type: none"> Reduce exposure to pricing / rebating wars in drug class by pricing to value 	
	Align incentives (adherence, outcomes)	<ul style="list-style-type: none"> Align incentives with payors to address the opioid crisis 	
	Access high-quality real-world data	<ul style="list-style-type: none"> Work with partners to leverage patient data sets to full demonstrate value 	
	Build capabilities for the future	<ul style="list-style-type: none"> Test contract structure and build capabilities within org 	
“Softer benefits” (harder to quantify)	Enhance relationships	<ul style="list-style-type: none"> Demonstrate strong and trusted partnerships with key customers 	Execute a contract quickly to demonstrate public commitment (e.g. 4-6 months)
	Demonstrate innovation / PR	<ul style="list-style-type: none"> Publicly communicate role in addressing opioid epidemic in partnership with payors 	



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4 Current meeting and bids due calendar for top accounts

● Strong interest
● Limited interest



- Top 7 accounts comprise for 65% of total Commercial and 75% of total Medicare Part D lives
- Focus on commercial accounts and engaging Aetna Part D prior to bid grid due dates

Source: MMIT 2017, Purdue internal discussions 1 includes BCBS of FL 2 Interested based on number of publicly available innovative contracts, public knowledge of payer/PBM focus on opioid crisis, and expert interviews



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We have considered three innovative contracting options

	Morphine Milligram Equivalent (MME) contract offering	Event-Based Contract offering	Per Member Per Month (PMPM) contract offering
Our goal	Reduce high daily doses (e.g. MME > 90)	Reduced opioid use disorder (OUD ¹)/ overdose (OD) incidents linked to OxyContin	Reduce PMPM spend on OxyContin
Measure targeted	High dose	OUD ¹ and OD	PMPM spend
Offer to you	Scaled rebates linked to average daily dose	Rebate given per OUD/OD incident	Scaled rebates linked to PMPM spend decreases relative to target
Options selected because they create formulary placement stickiness, align incentives with payor to address the crisis, and demonstrate innovation to public			

¹ CDC Definition: "sometimes referred to as 'opioid abuse or dependence' or 'opioid addiction,' OUD is a problematic pattern of opioid use that causes significant impairment or distress." <https://www.cdc.gov/drugoverdose/prevention/opioid-use-disorder.html>



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Purdue's Morphine Milligram Equivalent (MME) contract offering

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We are committed to lowering average daily doses on OxyContin and will provide higher rebates on prescriptions with higher dose strengths

No base rebate provided

Blended rebate based on MME dose distribution

Illustrative

Dose strength, MME



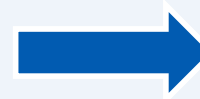
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Blended rebate

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Disclaimer: Rebate will be set according to an account's individual MME dose distribution

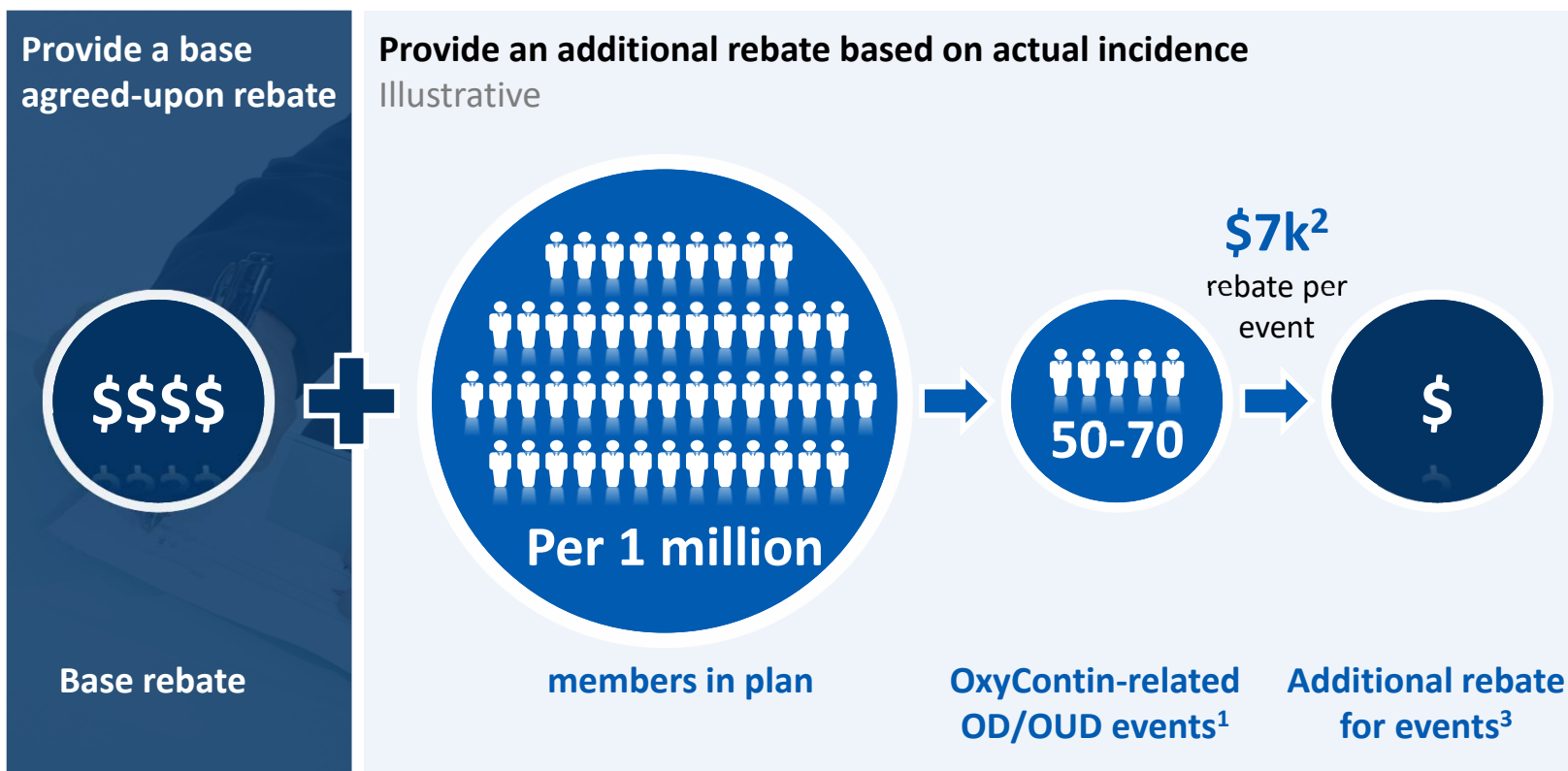


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Purdue's Event-Based Contract offering

We believe in our technology: We will pay additional rebates on any new OxyContin related overdose or opioid use disorder diagnosis



- **Disclaimer:** First diagnosis of opioid-related overdose (OD) or opioid use disorder (OUD) based on ICD codes and OxyContin script within 1 month of event
 - ICD-10 codes F11, T40.0, T40.2, T40.3, T40.4F11
 - ICD-9 codes 304.0, 304.7, 305.5, 965.00, 965.02, 965.09
- Rebate is linked to excess medical costs (e.g. ~\$14K over 1 year, or OxyContin prescription costs per year ~\$6K)

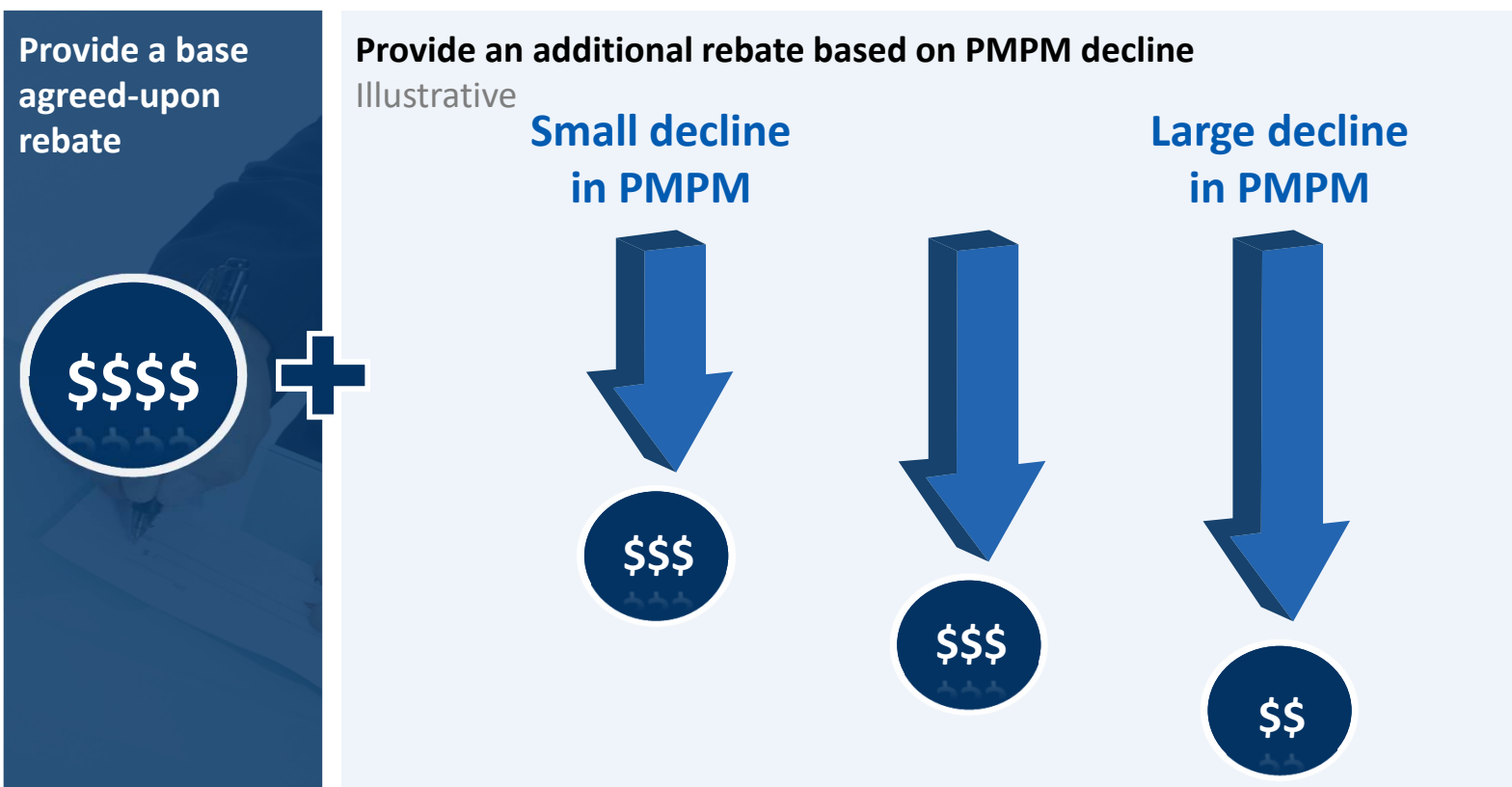


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Purdue's Per Member Per Month (PMPM) contract offering

We are committed to lowering your PMPM spend on OxyContin and will link additional rebates to reductions in PMPM



Disclaimer: Rebate will be set according to an individual account's PMPM



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When we evaluate the three options against key criteria, we see the MME and Event-Based as more attractive options

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Evaluation criteria	<div> <div></div> Strong alignment with criteria <div></div> Less strong alignment with criteria </div>		
	1 Purdue's MME contract offering	2 Purdue's Event-Based contract offering	3 Purdue's Per Member Per Month (PMPM) contract offering
Addresses opioid crisis intervention points	Targets high doses	Targets overdose use disorder (OUD ¹)/overdose (OD) incidence	Targets reduction in PMPM
Predictability of spend	Predictable trend in MME	Incidences are low ²	Unpredictable, complex trend
Allows for same or better performance than traditional contract	Strategic negotiating leverage	Limited upside	Limited upside
Ease of implementation	Easy to track	Easy to track	Significant challenges to predicting metric

¹ CDC Definition: "sometimes referred to as 'opioid abuse or dependence' or 'opioid addiction,' OUD is a problematic pattern of opioid use that causes significant impairment or distress."
<https://www.cdc.gov/drugoverdose/prevention/opioid-use-disorder.html>

² Potential for unintended consequences of increased rates depending on stakeholder actions



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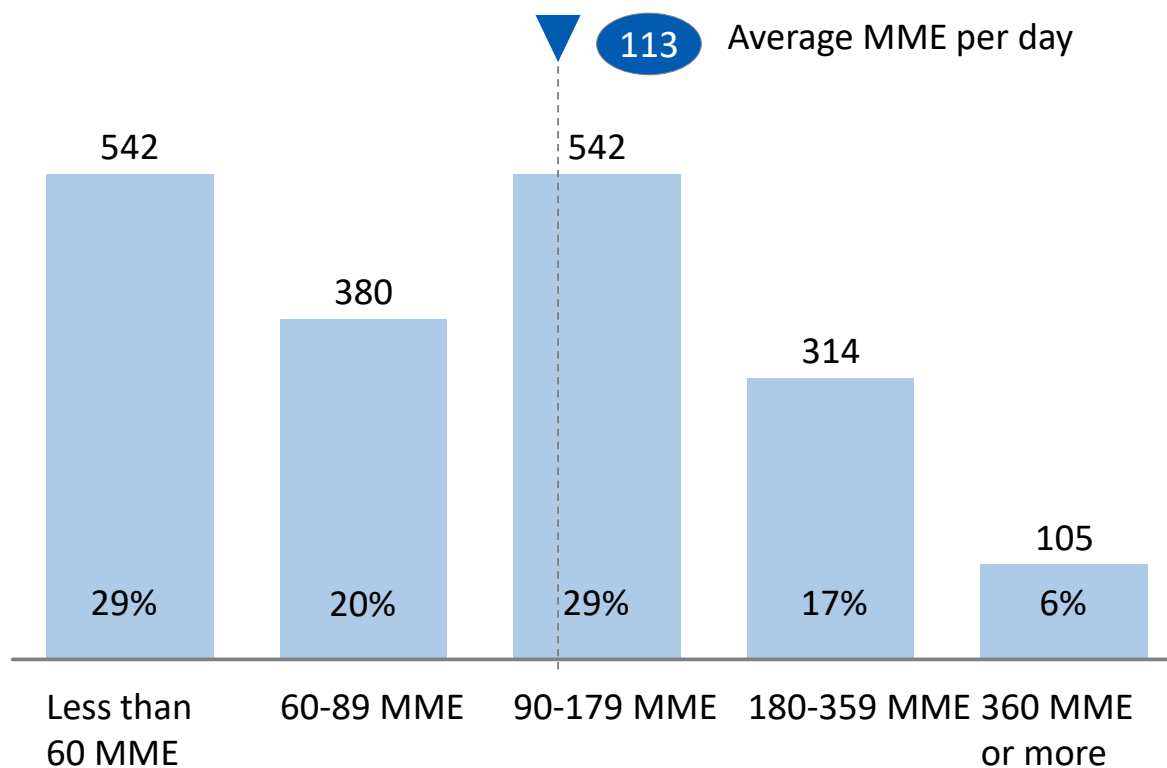
Baselining the MME metric: Important facts to understand when designing an MME contract

	Key facts	Implications
MME basics	1 The average OxyContin MME per day is 113 in 2017 <ul style="list-style-type: none"> 51% scripts are ≥ 90 MME per day, the CDC recommended daily dose limit 22% of scripts are ≥ 180 MME per day 	MME is a good choice for a metric to show direct linkages to opioid crisis management
	2 The average MME per day and the distribution of scripts by MME per day does not vary significantly by indication <ul style="list-style-type: none"> Ave daily MMEs are around ~ 110-120 MME for cancer, back pain, osteoarthritis, which represent 68% of scripts 	No need to exclude specific indications , which simplifies the tracking and analytics for contract execution
	3 The average daily MME has dropped by almost 10% annually between 2015-2017 <ul style="list-style-type: none"> Share of scripts shifted from ≥ 180 daily MME to < 60 daily MME by 11 percentage points between 2015-2017 	Need to design several rebate tiers , with low rebate rates for < 60 MME and high rates for ≥ 180 MME
Part D	4 Innovative contracts are less common in Medicare given the additional regulations and government oversight in Medicare <ul style="list-style-type: none"> 11% of publicly identified contracts are affiliated with Medicare book 	Likely harder to generate interest in Med D accounts
Basics behind CVS part D	5 Estimated net sales without a contract (\$74M) are higher than the current proposed contract (\$54M) for 2019	Ideal design will keep expected net sales at least above \$54M

1 Current average is 113 daily MME with 51% of scripts above 90 MME per day

2017 OxyContin distribution of scripts by daily MME²

Thousands of scripts¹



- 49% of scripts <90 MME per day
- 22% of scripts are ≥180 MME per day
- 6% of scripts are ≥360 MME per day

¹ Includes third party insurance, cash, and Medicaid patients included in the APLD data set

² MME calculated using CDC MME conversion factor of 1.5 https://www.cdc.gov/drugoverdose/pdf/calculating_total_daily_dose-a.pdf

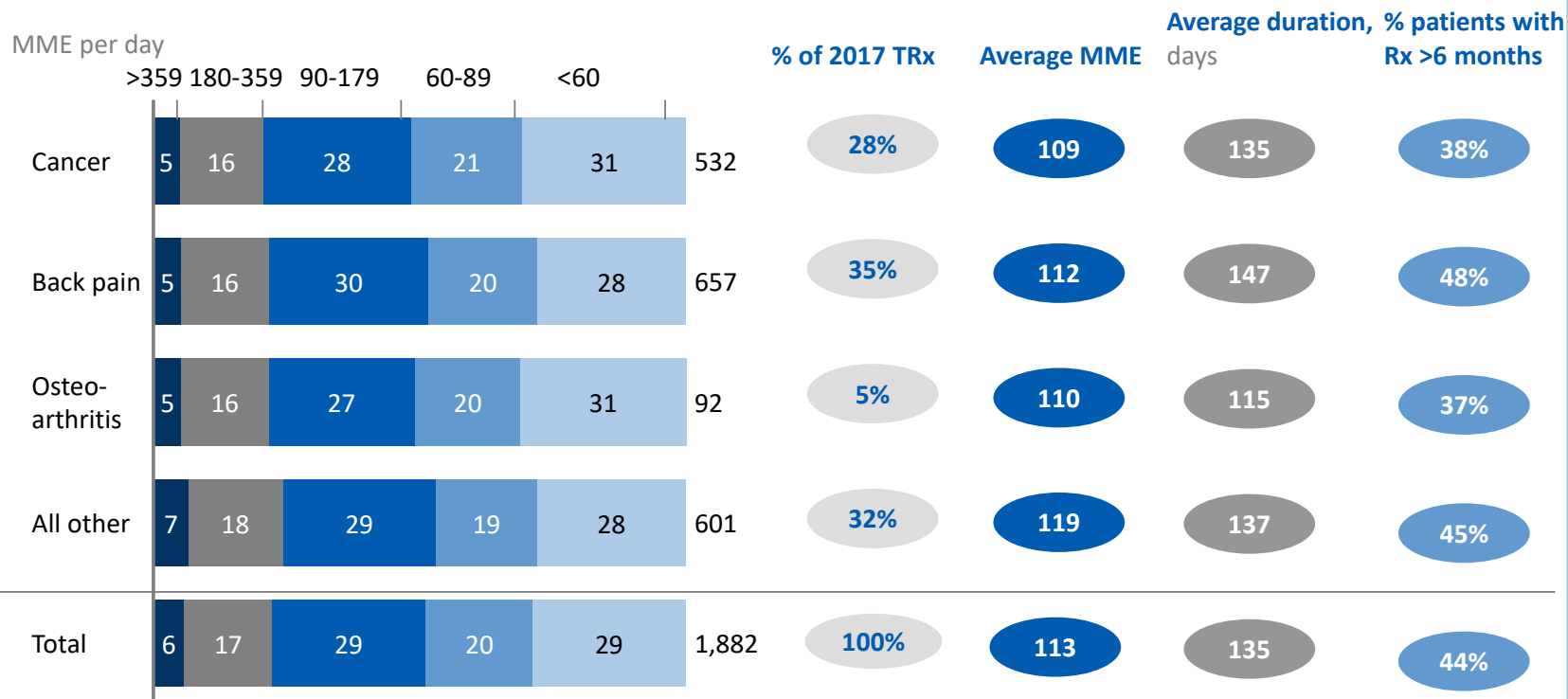
SOURCE: IMS APLD 2017 January - July



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2 Little variation in daily MME distribution or average MME by indication

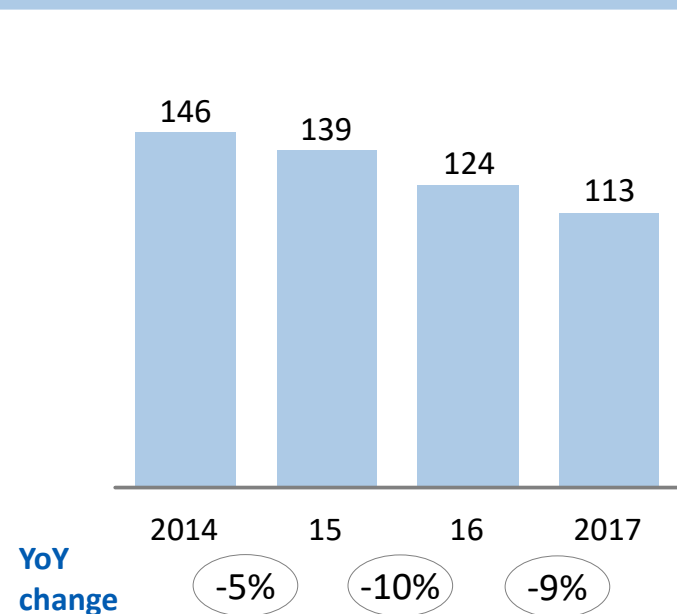
2017 OxyContin distribution of scripts by daily MME¹, Trx '000s



- Average MME is consistent across indications, with cancer staying below the average
- Duration varies more, with back having patients on prescriptions longer than Osteoarthritis

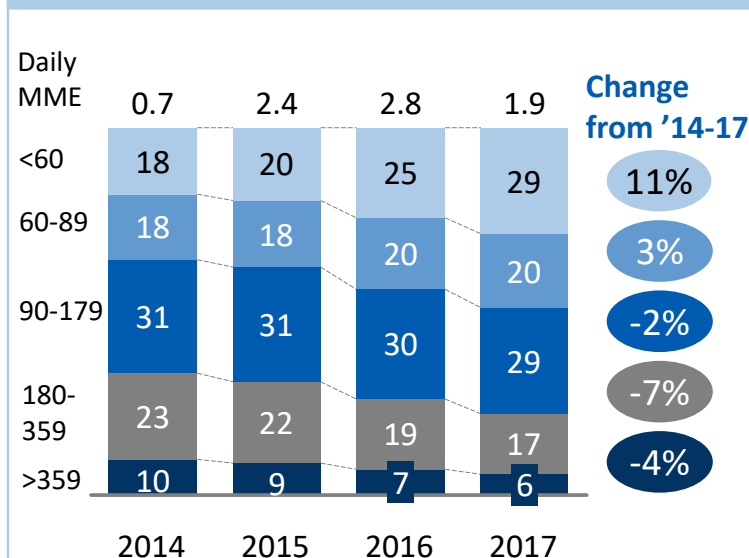
3 Average MME has declined by almost 10% annually since 2015

Annual average daily MME



Average has declined almost 10% annually since 2015, and the rate of decline has not yet flattened

OxyContin TRx by daily MME, % of scripts

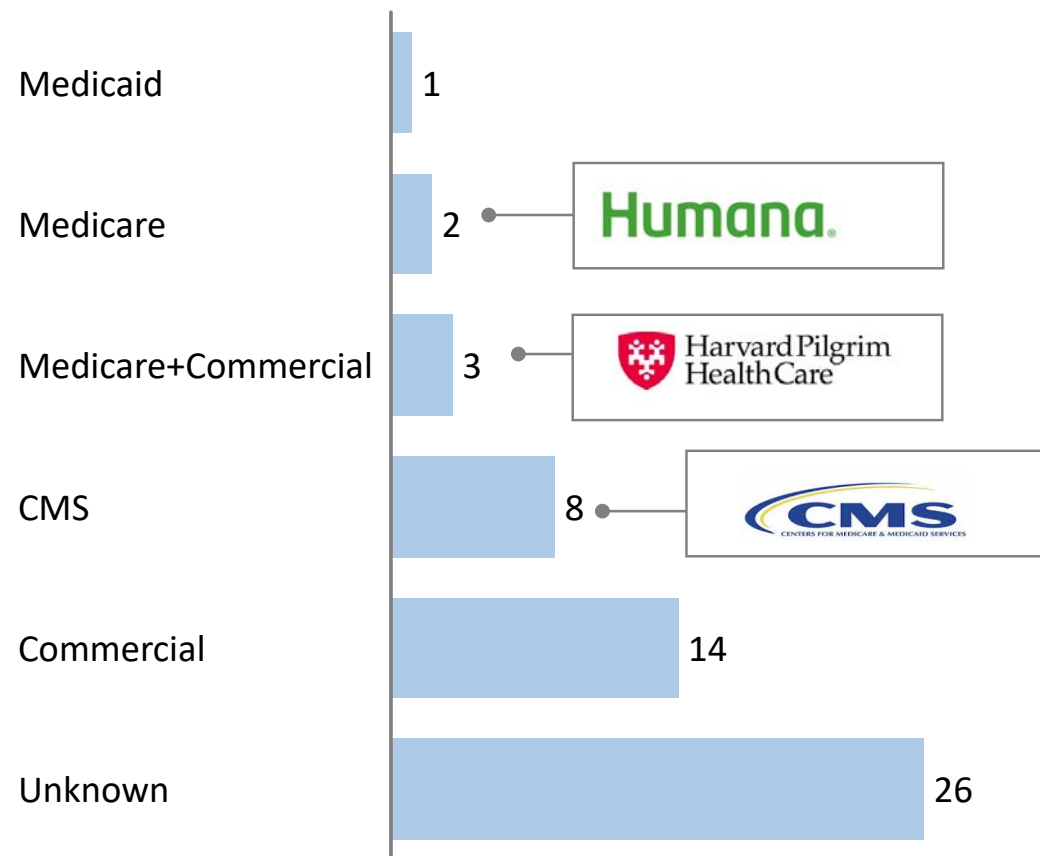


There is a shift from scripts above 180 MME per day to scripts below 60 MME per day at a about 4 points per year since 2015

4 Innovative contracts are less common in Medicare

Published value-based contracts in the U.S. since 1994

Contract count



5 out of the 46
(11%) contracts,
excluding CMS
contracts, are
affiliated with
Medicare

SOURCE: Publicly available contracts; -- McKinsey Innovative Contracting Database



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5 Baselineing the projected CVS Medicare Part D contract has implications for the contract structure in 2019

Basics on CVS Med D account

- CVS is a **top three account** in Medicare Part D, covering 13% of lives
- CVS has a **reputation for being aggressive**, with rates usually among the highest in Med D
- Benefit design is unique with a large patient cost share increase expected between branded tiers
 - **Tier 3 is the preferred branded tier** with a **copay of \$46** per script
 - **Tier 4 is the non-preferred branded tier** with **49% coinsurance** (e.g. average \$260 out of pocket OxyContin patients)



Basics on our contract with CVS

- Contract has transitioned to fixed rate, with a **realized rebate of 53% in 2018**
- We are on Tier 3 with Nucynta ER
- Bids are due December 1st, and the Purdue team is **expecting an increase of 2-4%**



Implications

- Ideally, we want a contract design that **does not increase rates beyond 1 or 2 points** beyond 2018 rate of 53%



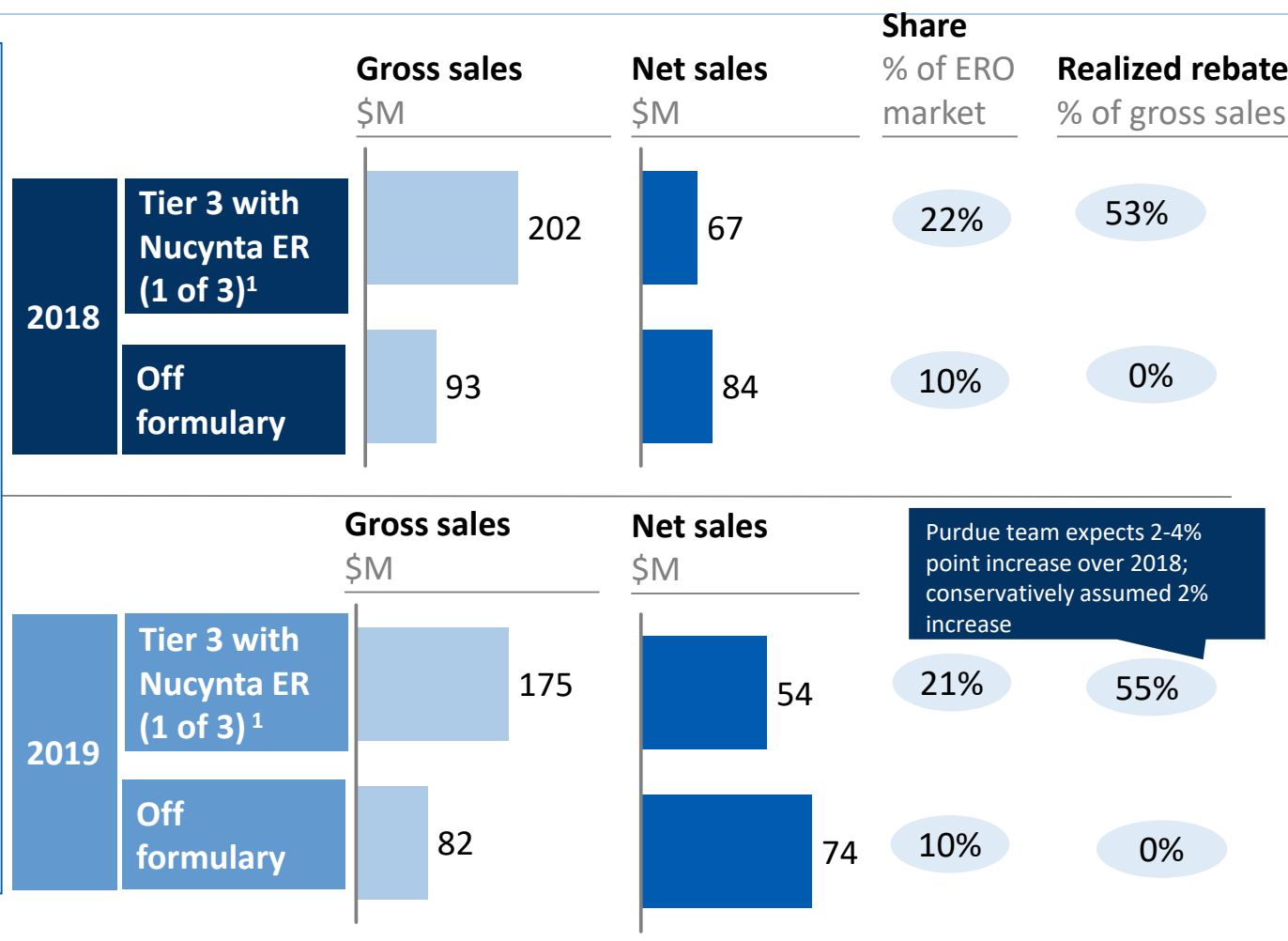
5 Baselining the current CVS Med D contract, we see that contracted net sales are below break-even

Not actual rate offers

■ Hypothetical terms
■ Negotiated terms

Assumptions between '18-19

- **Market:** 9% decline in ERO market
- **Share:** 1% decline in CVS Med D share in status quo
- **Rebate rate:** 2% point increase in rate
- **GTN:** Add 14% to payor rebate for donut hole coverage, admin fee



¹ Fingertip formulary for 2018; Tier three with Nucynta ER, Emeda, and Purdue brands; Xtampza not covered in 2018

SOURCE: Purdue's CVS Med D Model 2018



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Design: There is potential for impact at CVS Med D with an innovative contract

- 1 MME contract enables a more strategic play with CVS Med D by providing negotiating leverage
 - Option 1: Maintains rebates no more than 1-2 points above 2018 rates
 - Option 2: Optimizes net sales by providing broader range of rebates and more leverage in negotiations
- 2 CMS Medicare Part D has highest net cost to plan in the initial coverage phase
 - Plan net spend for non-LIS patients is \$185 per script in the initial coverage phase relative to \$11 per script under catastrophic coverage
 - Plan net spend for LIS patients is \$204 per script in the initial coverage phase relative to \$13 per script under catastrophic coverage
- 3 Higher rebates on scripts with higher MME per day are more valuable to PBM/plan in initial stage of Part D coverage where plan has highest liability
 - The difference in per script rebate between Option 1 rebates and the traditional rebate is \$42 per script at the highest MME per day scripts and (-\$19) per script at the lowest MME per day script
- 4 Net Sales for Option 2 in a 1 of 1 contract only increase net sales by 2% relative to 1 of 3 offering, indicating that 1 of 1 ask is not incrementally much more valuable under current share assumptions

Disclaimer: Rates modeled are directional and should not be taken as actual offers. Additional modelling with payor-level data is required to develop payor rebate rate recommendations

1 MME contract enables a more strategic play with CVS Med D, providing negotiating leverage

Percent of scripts by daily MME % of scripts in 2017 ¹		Rebate rate, % of gross sales			Directional rates
		Traditional '19 rates	Option 1: Ensure low increase in rates	Option 2: Optimize net sales	
<60	29	55%	45%	20%	MME contracts communicate commitment to addressing opioid crisis
60-<90	20	55%	51%	35%	
90-<180	29	55%	55%	53%	
≥180	17	55%	57%	57%	
>-360	6	55%	57%	58%	
Blended rate %		55%	55%	50%	
Net sales \$M		54.5	55.0	62.9	
Advantages of the MME contract		<ul style="list-style-type: none"> Provides structure to limit rate increases to 2 points Enables offering 57, maintaining blended rate two points above 2018 rates 			<ul style="list-style-type: none"> With a more aggressive lower rebate, contract can close the gap by enticing payor with higher rebates where script value is highest

¹ Distribution of scripts done at national level and is not specific to CVS Med D



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2 CVS Medicare Part D has highest net cost to plan in the initial coverage phase

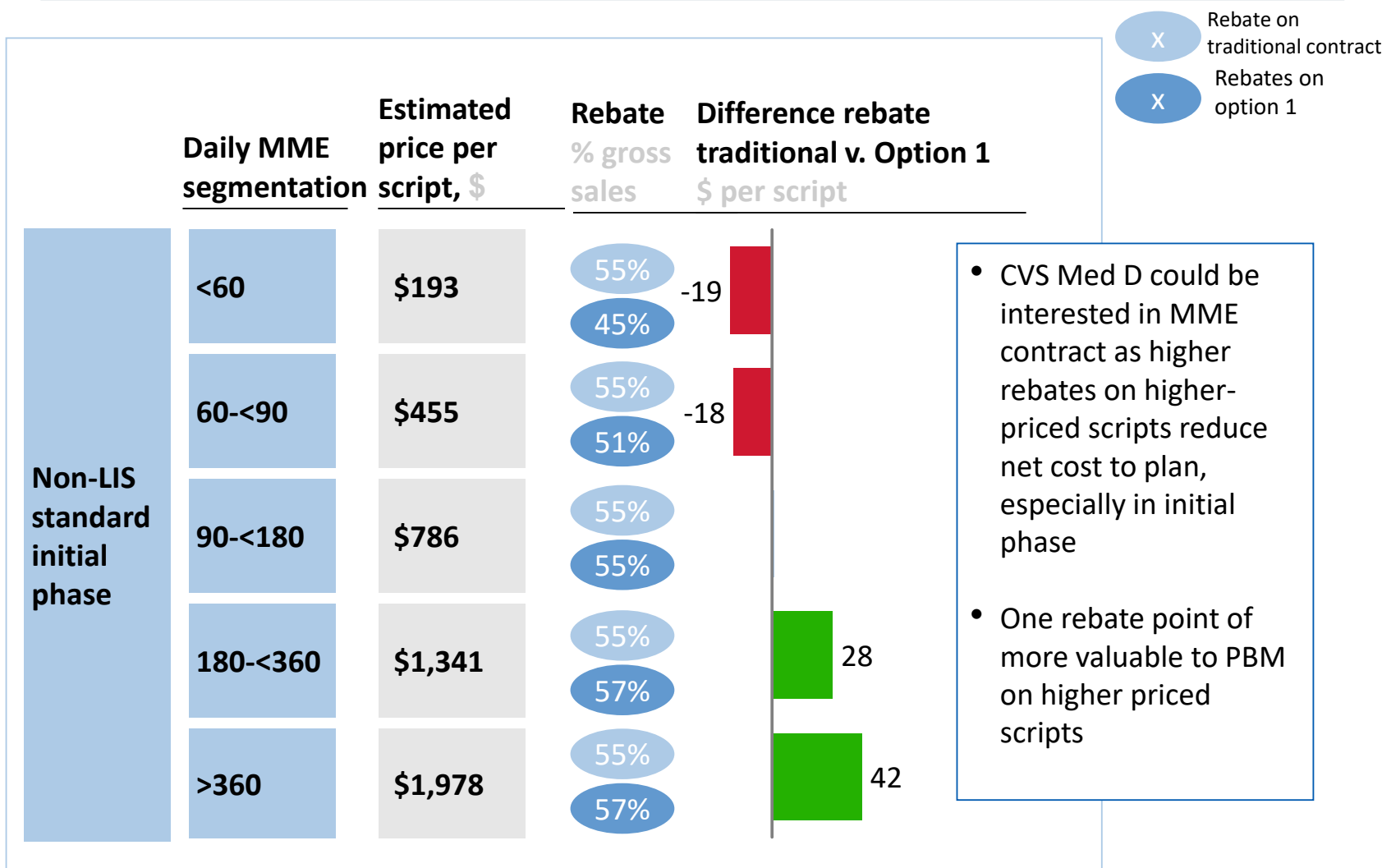
For a typical patient in CVS Medicare Part D plan

		Retail price per script ¹	Patient contribution ¹	CMS subsidy	Pharma coverage gap payment	Pharma rebate to plan + admin fee ²	Plan net spend per script
Non-LIS standard	Initial cover.		\$46	n/a	n/a	\$300	\$185
	Gap		\$186	n/a	\$265	\$300	-\$220 ⁴
	Cat. ³		\$27	\$424	n/a	\$68	\$11
		\$530					
LIS	Initial cover.		\$8.35	\$37.65	n/a	\$280	\$204
	Gap		\$8.35	\$442	n/a	\$67	\$13
	Cat. ³		\$0	\$451	n/a	\$66	\$13

Part D plans, including CVS Med D, have highest liability for claims in the initial coverage phase due to distribution of pharma and CMS contributions

1 Assumes 2018 standard silverscript benefit. LIS copay shown for dual eligible (Kaiser PDP fact sheet 2016), non-LIS assumes 25% coinsure in initial coverage phase, 35% coinsure. in gap and 5% in catastrophic 2 Assumes 54.9% base rebate and 5% admin fee with even split of base rebate between CMS and plan based on relative contribution (CMS rebate not shown)
3 Catastrophic coverage 4 CMS and manufacturer settle accounting annually (pharmaco does not make any money on the coverage stage)

3 Higher rebates on scripts with higher MME per day is more valuable to plan in initial stage with highest plan liability



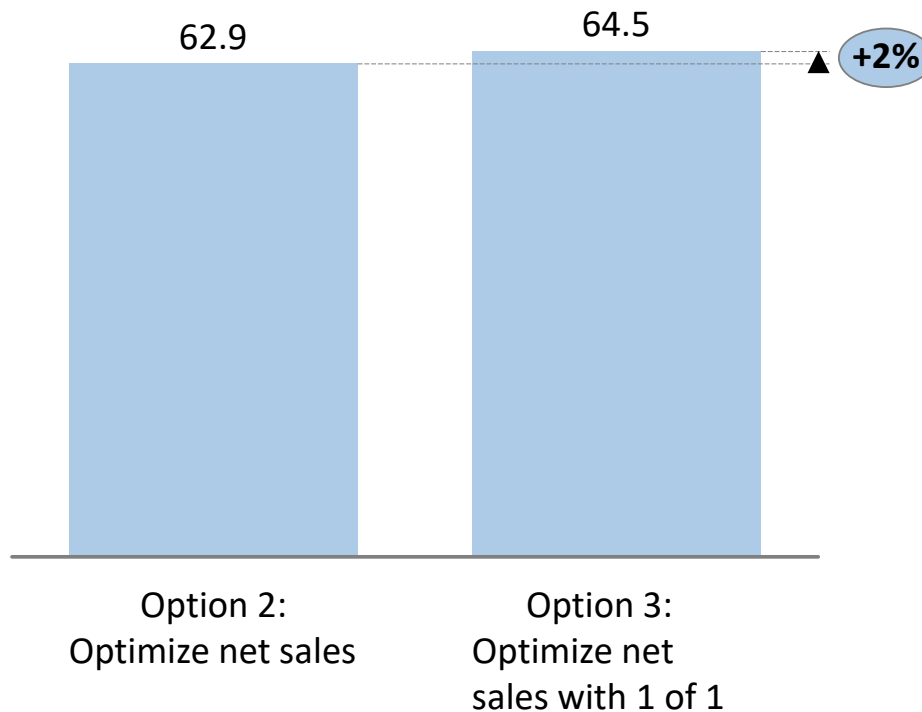
SOURCE: Part D modeling; priceRx, APLD data



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4 Limited increase in share at CVS Med D reduces attractiveness of 1 of 1 ask

Estimated 2019 net sales
\$M



Assumptions

- **Opana ER removed from market:** 40% of brand's scripts shift to preferred brands evenly
- **Brands off-formulary:** Other Tier 3 preferred brands, Nucynta ER (1.1% of ERO share) and Embeda (0.8% of ERO share) move off formulary
- **Share shift:** Brands moving off formulary lose 65% of share, greater than average off-formulary share shift given CVS Med D dramatic benefit design
- **OxyContin:** Captures 40% of the share shift from brands moving off-formulary, remaining share shift attributed to generics

DRAFT

Contents

- Overall innovative contracting landscape in the U.S.
- Overall comparison of innovative contracting options
- Details on MME contract baselining
- Details on Event-Based contract baselining
- Details on Per Member Per Month contract baselining

Important considerations when designing an Event-Based Contract

DRAFT

	Key facts	Implications
1 Total event volume	<ul style="list-style-type: none"> There are ~1200 OD/ODU opioid events per million members in a year¹ 	<ul style="list-style-type: none"> OD/ODU events can be tracked determine an incidence rate
2 Attributing to OxyContin	<ul style="list-style-type: none"> 4% of OD/ODUs involve any level of OxyContin, mostly (>90%) without other EROs 	<ul style="list-style-type: none"> OxyContin-related OD/ODU events can be defined in a simple way
3 Defining an event rate	<ul style="list-style-type: none"> Today there are ~50 events of OxyContin-related OD/ODUs per million members per year² and has grown by 5% annually between 2014-16 	<ul style="list-style-type: none"> 2019 rates expected to be around 60 events per a million members per year, with a sensitivity of 45-75 events per million members
4 Rebate per event	<ul style="list-style-type: none"> Meaningful rebate amounts per OD/ODU event can vary from ~\$6k (cost of OxyContin³) to ~\$14k (excess medical costs⁴) 	<ul style="list-style-type: none"> Need to determine which payment amount is optimal
5 Exposure for top accounts	<ul style="list-style-type: none"> For top 7 accounts, rebate exposure ranges from ~\$3-15M per year, with the exception of CVS and ESI 	<ul style="list-style-type: none"> Exposure could vary if projected OD/ODU rates differ from expected

¹ Defined as first occurrence for overdose or opioid use disorder ICD-10 codes F11, T40.0, T40.2, T40.3, T40.4F11 || ICD-9 codes 304.0, 304.7, 305.5, 965.00, 965.02, 965.09

² Defined as any level of OxyContin use, including with other ERO combinations

³ Based on estimated monthly Rx cost of \$530

⁴ Kirson et al, "Economic Burden of Opioid Abuse: Updated Findings." JMCP vol 23, No 4, April 2017

DRAFT

1 There are ~1200 opioid OD/ODU events per million members in a year in a Commercial population

Defining the OD/ODU metric

Definition

Opioid OD/ODU case

- First **diagnosis of opioid OD or OUD based on ICD codes**
 - ICD-10 codes F11, T40.0, T40.2, T40.3, T40.4F11¹
 - ICD-9 codes 304.0, 304.7, 305.5, 965.00, 965.02, 965.09

Attribution to OxyContin

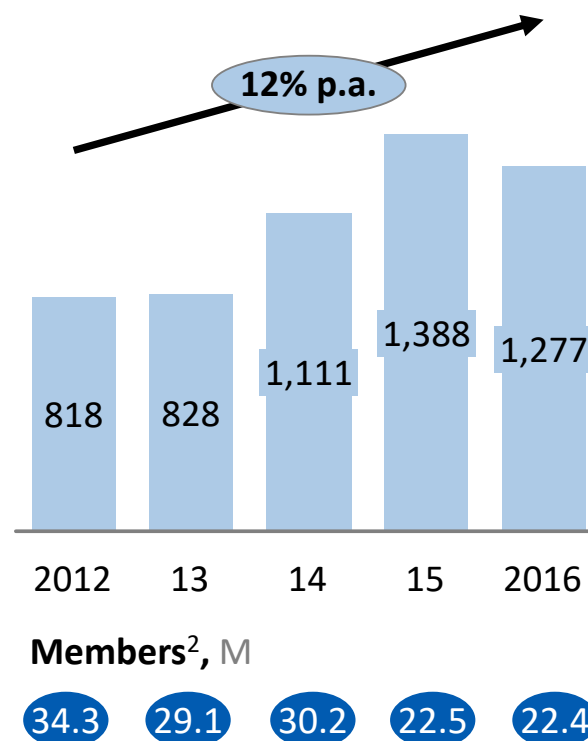
- Any OxyContin use, including **combinations with IRs or other ERs**

Proximity to OxyContin exposure

- Last OxyContin pills supplied **within 1 month of event**
- Event occurs **after OxyContin is initiated**

Rate of any opioid-related OD/ODUs¹ in a Commercial population

Per 1 million members²



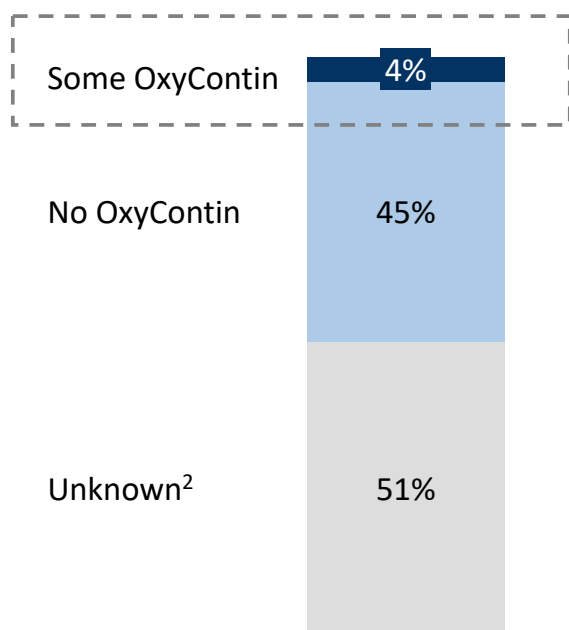
¹ Defined as first occurrence for overdose or opioid use disorder ICD-10 codes F11, T40.0, T40.2, T40.3, T40.4F11 || ICD-9 codes 304.0, 304.7, 305.5, 965.00, 965.02, 965.09. Includes events associated with IROs, EROs, and cases when no opioid script has been filled a month before ² Normalized to full years of member enrollment (i.e. total patient-months of coverage divided by 12)

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2 Approximately 4% of opioid OD/ODs involve OxyContin

OD/OD events by drug exposure¹, 2012-2016, % of total events

Details to follow



- **OxyContin exposure is defined as:**
 - Last OxyContin pill dispensed within 1 month of event
 - Any drug combination involving OxyContin (including other EROs)

¹ Defined as first occurrence for ICD-10 code F11, T40.0, T40.2, T40.3, T40.4F11 or ICD-9 codes 304.0, 304.7, 305.5, 965.00, 965.02, 965.09; opioid use assessed by 30 day exposure based on patient's personal prescriptions prior to event occurrence

² Indicates lack of opioid prescriptions within 30 days of event

SOURCE: Truven MarketScan 2012-2016

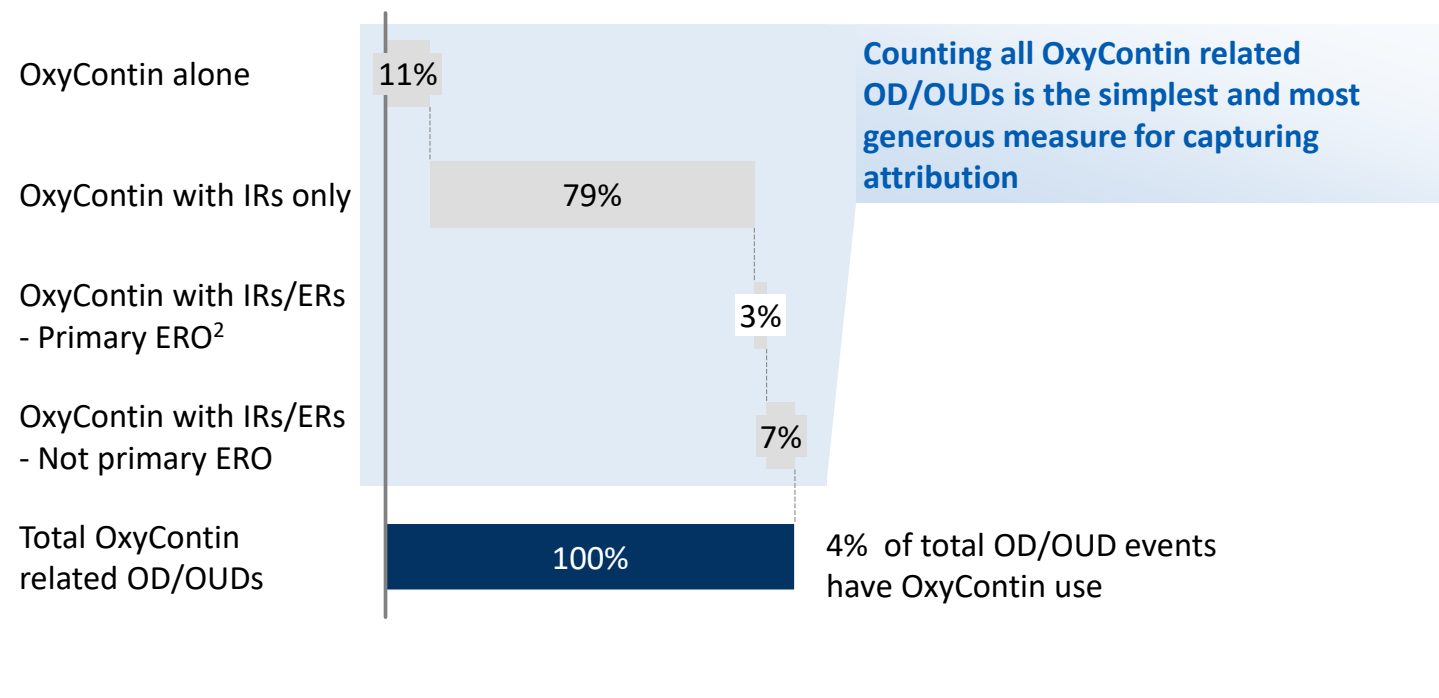


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2 The 4% of OxyContin related OD/ODU's counts all OxyContin related use

OxyContin related OD/ODU events¹ by drug combination, 2012-2016, % of total events



¹ Defined as first occurrence for ICD-10 code F11, T40.0, T40.2, T40.3, T40.4F11 or ICD-9 codes 304.0, 304.7, 305.5, 965.00, 965.02, 965.09; opioid use assessed by 30 day exposure based on patient's personal prescriptions prior to event occurrence

² OxyContin constituted >70% of ERO days supplied in preceding 3 months

³ Indicates lack of opioid prescriptions within 30 days of event

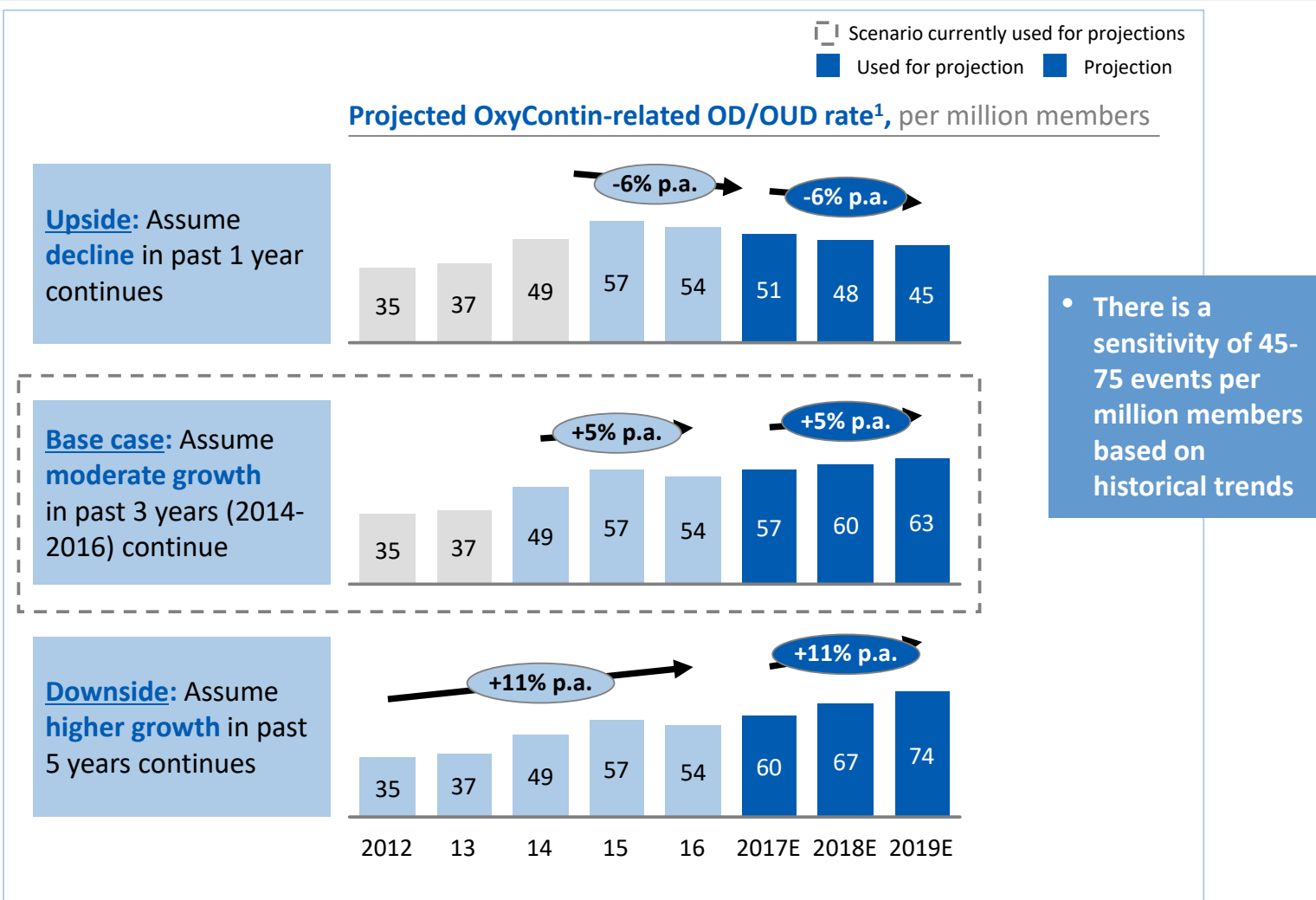
SOURCE: Truven MarketScan 2012-2016



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3 In 2019, the base case rate of OD/ODDs is projected to be ~60 events per million members with a range of sensitivity



¹ Event defined by ICD 9 and 10 codes. Attribution to OxyContin defined as last OxyContin pill dispensed within 1 month of event, regardless of drug combination.

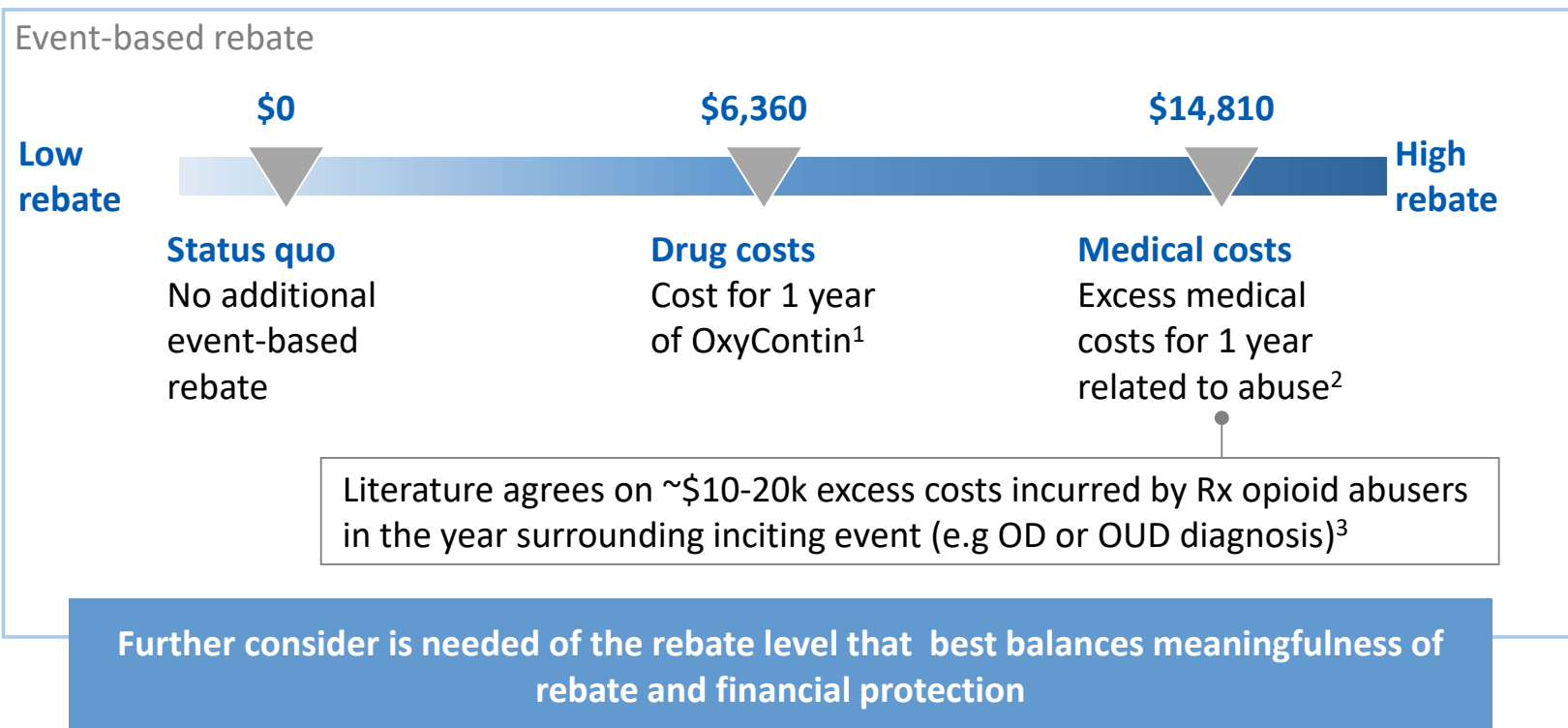
SOURCE: Truven MarketScan 2012-2016, TBD for membership



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4 Meaningful rebate amounts per OD/ODU event could vary from ~\$6k to ~\$14k

DRAFT



¹ Monthly estimate of \$530 per Purdue

² Kirson et al, "Economic Burden of Opioid Abuse: Updated Findings." JMCP vol 23, No 4, April 2017

³ Based on Truven data. Lower figures ~\$10k are from 2011 analyses; \$14K is from Kirson et al from 2012-2016 data

SOURCE: Literature search, Purdue



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DRAFT

5 Exposure in 2019 for top 7 Commercial accounts could range from \$3-15M with the exception of ESI and CVS

Commercial account	Membership ¹ M	Expected 2019 OxyContin events ² , #	Exposure at ~\$6k rebate per event ³ , \$M	Exposure at ~\$14k rebate per event ⁴ , \$M
ESI	38.3	2,402	15.3	35.6
CVS	39.6	2,484	15.8	36.8
UnitedHealth	14.0	880	5.6	13.0
OptumRx	12.1	758	4.8	11.2
Anthem	11.6	725	4.6	10.7
Aetna	9.4	588	3.7	8.7
Kaiser	7.5	468	3.0	6.9
Total	132.4	8,306	52.8	123.0

1 Based on last available membership in Nov 2017 from MMIT. Not projected to 2019.

2 Projection to 2019 based on 2016 rate in Truven Commercial database projected at 2014-2016 CAGR. Event defined by ICD 9 and 10 codes. Attribution to OxyContin defined as last OxyContin pill dispensed within 1 month of event, regardless of drug combination.

3 Estimated annual cost of OxyContin. Monthly estimate of \$530 per Purdue

4 Excess medical cost for one year. Kirson et al, "Economic Burden of Opioid Abuse: Updated Findings." JMCP vol 23, No 4, April 2017

5 FY 2019 net sales estimated 2019

SOURCE: Truven MarketScan 2012-2016, TBD for membership



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Exhibit S

Message

From: John Goldie [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=88A68A9A81B348FB8558F71371EAE616-JOHN GOLDIE]
Sent: 12/6/2017 2:40:00 PM
To: Amir Golan [/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=afe6a4f07e3342cd9103a2cc7ba9b4ab-amir golan]
CC: Abhi Hazarika [cn=abhi hazarika/ou=nyo/ou=northamerica/o=mckinsey]; Albert G Lee [/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=7b0a6091493f4179bad0f855c6dbc894-albert g le]; Arnab Ghatak [/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=ee5107d994d14d18b8ece4c0e247cc7b-arnab ghata]; Greg Graves [cn=greg graves/ou=phl/ou=northamerica/o=mckinsey]; Jeff Smith [/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=d76f8a177e354a69901636fb7356e8b1-jeff smith]; Martin Elling [/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=6b33c3264f744b04af05fa59341271be-martin elli]; Matteo Foderaro [cn=matteo foderaro/ou=nyo/ou=northamerica/o=mckinsey]; Yang Wang-NJE [/o=exchangelabs/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=6e84645b2e374020ae691c61378c179c-yang wang-n]
Subject: Re: Project Scottsdale: Debrief from today - great meeting with Craig and leadership team and thorough debrief from finance

Thanks for the thorough update Amir,

Few thoughts on my end:

- + On the 3 NewCos might be good to sketch out on 1 page our understanding of their scope/remit and get it front of Paul soon
- + On looking at G&A by sub-function, definitely leverage the benchmarking file I updated to Box that I worked on with Jon in the summer. Its true that on traditional benchmarks won't find a ton of opportunity (prob some in IT, Legal org, PAC), so this is why other creative approaches might be needed.
- + I don't think Legal fees would be in scope. Its worth checking this with Maria.
- + Are they going to give us FTEs by sub-function (including in commrecial, medical, etc...)/

Best,

John

John Goldie
McKinsey & Co
55 e52nd St
New York, NY, 10022
o: (212) 446-7349
m: (917) 499-6315

▼ Amir Golan---12/06/2017 12:00:42 AM---Team, High momentum, uber productive day today- we had a very good meeting with

From: Amir Golan/NJE/NorthAmerica/MCKINSEY
To: Greg Graves/PHL/NorthAmerica/MCKINSEY@mckinsey, Arnab Ghatak/NJE/NorthAmerica/MCKINSEY@mckinsey, John Goldie/NYO/NorthAmerica/MCKINSEY@mckinsey, Jeff Smith/BOS/NorthAmerica/MCKINSEY@mckinsey, Abhi Hazarika/NYO/NorthAmerica/MCKINSEY@mckinsey, Martin Elling/NJE/NorthAmerica/MCKINSEY@mckinsey
Cc: Albert G Lee/NYO/NorthAmerica/MCKINSEY@mckinsey, Yang Wang-NJE/NJE/NorthAmerica/MCKINSEY@mckinsey, Matteo Foderaro/NYO/NorthAmerica/MCKINSEY@mckinsey
Date: 12/06/2017 12:00 AM
Subject: Project Scottsdale: Debrief from today - great meeting with Craig and leadership team and thorough debrief from finance

Team,

High momentum, uber productive day today- we had a very good meeting with Craig, Paul, Brianne, Jon, and Tej, followed by deep dives of the overall spend by the finance team. Here is my quick summary of both, and our team's next steps:

Kickoff meeting with Craig, Paul, Brianne, Jon, Tej

- Overall very positive and collaborative meeting- entire team was very engaged and the discussion resonated with them. This was also reiterated in side conversations with Tej and Brianne
- Craig understands that Purdue has to go through significant change ("this is the changes we should have done 5 years ago"), given the expected significant decline in sales (they understand this will be significant, for e.g. expect a dramatic reduction in R&D)
- The objective for us is the board document Craig will present to the board on January 29
 - They will need to submit the front section by Jan 19
 - We heard that ~40 pages is fine, although prior docs were significantly shorter
- Craig hopes to share vision for Purdue moving forward, including:
 - Significant cost reductions to bridge decline in sales
 - NewCo – vision for a new entity that will house growth opportunities
 - Ingoing is that NewCo will have focus on quick-turnaround projects (505b2)
 - NewCo will be mostly sourcing assets and outsourcing development – will require strong BD capabilities, including R&D assessment
 - There is also a perspective on a small (3-4 heads) VC type capability, but with no upfront funding – every investment will go through the board
 - NewCo and legacy Purdue will share multiple services (including sales force if needed)
- Our mandate is very broad, especially on the cost reduction side – we heard that we should consider everything in scope and are expected to come with new perspectives
- A key question we will analyze is the optimal number of reps – the internal analysis is 350 (this is also driven by a contractual obligation to promote Symproic (250 reps for next 3 years) – we will also analyze what is the "opportunity" to try to exit this obligation

Finance overview meetings

- We met with the finance team members responsible for all OpEx spend: commercial, R&D, medical, G&A
- Meetings were very productive, going through the key line items and the files they shared with us
- Overall OpEx budgeted for 2018 is \$633M: S&P - \$225M, R&D- \$129M, G&A - \$124M, Legal fees - \$83M, Medical - \$51M (other - \$21M)
- Key insights:
 - Seems that there is high potential in R&D – they have only 4 projects and expect at least 2 to terminate in Q1. For e.g. -key question around LEM-insomnia program that will read out a phase 3 in Q1 and may require another phase 3 to prove superiority over current treatment (budgeted for ~\$40)
 - Non-sales force organization seems slim, but we are waiting for additional data here
 - G&A likely has some potential, but not the entire amount is in scope (~\$25M of corporate communication project that was recently approved by the board). There may be a potential for \$10-15M here
 - We heard a lot of noise about "legacy decisions" here that may be driven by shareholders – legacy, highly compensated FTEs in areas like facilities

Next steps for the team

- Sales force – we will analyze optimal number of reps with/without the Symproic constraint – we are still waiting on some data here, and will likely drive a lot of insight from a meeting with Marv (expected on Thursday)
- R&D – we will analyze what spend is required given the very limited pipeline, and following development of initial perspective, will bring it to the R&D leadership
- G&A – we are using the following approaches:

- Analyzing by sub-functions, using both benchmarks and some critical thinking
- Looking at overall G&A as % of net sales and as G&A FTE/total FTEs to highlight an overall trend to account
- We will continue to push on the other functions, but given the information we have there is limited potential in medical and legal fees (TBC)
- We will update you on upcoming client meetings. There is high likelihood that we will target a working session with Brianne, Tej, Paul, Jon, focused on “legacy company costs” towards end of next week

Amir

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McKinsey & Company

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Amir_Golan@McKinsey.com

Assistant Klarissa Moffett | Direct +1-727-299-6042

Klarissa_Moffett@mckinsey.com

Exhibit T

Message

From: Martin Elling [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=6B33C3264F744B04AF05FA59341271BE-MARTIN ELLI]
Sent: 7/4/2018 12:10:13 PM
To: A G [drarnabghatak@gmail.com]
Subject: Re: [EXT]Re: Howdy

Have a great fourth. M

> On Jul 4, 2018, at 2:01 PM, A G <drarnabghatak@gmail.com> wrote:
>
> Thanks for the heads up. Will do.
>
>> On Jul 4, 2018, at 7:57 AM, Martin Elling <martin_elling@mckinsey.com> wrote:
>>
>> Just saw in the FT that Judy Lewent is being sued by states attorneys general for her role on the
Purdue Board. It probably makes sense to have a quick conversation with the risk committee to see if we
should be doing anything other than eliminating all our documents and emails. Suspect not but as things
get tougher there someone might turn to us. M
>>
>> +=====+
>> This email is confidential and may be privileged. If you have received it
>> in error, please notify us immediately and then delete it. Please do not
>> copy it, disclose its contents or use it for any purpose.
>> +=====+